

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re:	§	Chapter 11
	§	
W.R. GRACE & CO., et al.,	§	Jointly Administered
	§	Case No. 01-01139 (JKF)
Debtors.	§	
	§	

**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF PRICEWATERHOUSECOOPERS LLP
FOR THE SIXTEENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of Pricewaterhouse Coopers LLP for the Sixteenth Interim Period (the "Application").

BACKGROUND

1. PricewaterhouseCoopers LLP ("PwC") was retained as independent accountants and auditors for the Debtors and Debtors in Possession. In the Application, PwC seeks approval of fees totaling \$1,119,455.03 and costs totaling \$8,429.23 for its services from January 1, 2005, through March 31, 2005.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued

January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on PwC an initial report based on our review, and received a response from PwC, portions of which response are quoted herein.

DISCUSSION

3. In our initial report, we noted 11 travel entries totaling 10.5 hours and \$1,762.65 (\$3,917.00 before 55% discount) for which time appears to have been billed at full hourly rates rather than at 50% of normal billing rates. The entries are provided as Exhibit A. Rule 2016-2(d)(viii) states, "Travel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates." We asked PwC to explain why the billing for these time entries should not be reduced by 50%. PwC responded as follows:

We agree with your comment and to a corresponding fee reduction of \$881.32 (\$1,762.65 x 50%).

We appreciate the response and thus recommend a reduction of \$881.32 in fees.

4. We noted multiple entries in the Application totaling 105.5 hours and \$14,135.69 (\$31,412.65 before 55% discount) describing the keeping, entering or updating of time and/or expenses charged to the estate. The entries are provided as Exhibit B. Paragraph II.E.7. of the U.S. Trustee Guidelines provides in part: "Overhead consists of all continuous administrative or general costs incident to the operation of the applicant's office and not particularly attributable to an individual client or case. Overhead includes word processing, proofreading, secretarial and other clerical services..." While preparation of fee applications for bankruptcy courts is customarily

compensable, simply keeping descriptive, useful time records for edification of the client, creditors and court is typically not compensable. In re Gillette Holdings, Inc., 137 B.R. 475, 482 (Bankr.D.Colo. 1992). We understand there is sometimes a certain amount of editing required to bring time and expense entries into compliance with the Local Rules and prepare them for attachment to the Application. However, it appears to us that PwC professionals were billing for time spent entering their time, which is the cost of doing business. We asked the firm to explain why the fees billed for these tasks should be compensable. PwC responded as follows:

We agree with your comment and therefore a corresponding fee reduction of \$14,135.69.

We appreciate the response and thus recommend a reduction of \$14,135.69.

5. We noted five entries totaling 9.4 hours and \$1,145.56 (\$2,545.70 before 55% discount) for tasks other than timekeeping which we believe also should be considered as administrative overhead and therefore not compensable. The entries are provided below.

03/22/05	PS	0.50	Work on performance appraisal for Matt Bosseler (PwC).
03/30/05	PR	0.30	Sign independence confirmation
03/02/05	NS	1.20	Order and pick up overtime meal for team.
03/07/05	NS	4.20	Clean out workspaces at Grace Columbia Site, Recycle files, organize supplies
03/08/05	NS	3.20	More cleaning of Grace cubicles and office; shredding extraneous or unnecessary papers especially those w/employee SSNs and wage information

We asked PwC to explain why the time billed for these tasks should be viewed as compensable.

PwC responded as follows:

We have examined each time entry you noted above, and we agree with your

comment and consequently a fee reduction for 9.4 hours, totaling \$1,145.56 (after accounting for the appropriate accrual rate reduction).

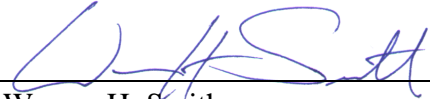
We appreciate the response and recommend a reduction of \$1,145.56 in fees.

CONCLUSION

6. Thus we recommend approval of fees totaling \$1,103,292.46 (\$1,119,455.03 minus \$16,162.57) and costs totaling \$8,429.23 for PwC's services from January 1, 2005, through March 31, 2005.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 9th day of September, 2005.


Warren H. Smith

SERVICE LIST

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Exhibit A

01/20/05	WTB	1.00	Travel to Grace Performance Chemicals in Boston
01/25/05	WTB	1.00	Travel from Grace
01/10/05	EM	0.80	Travel in excess of business hours (overtime meal)
01/11/05	EM	1.10	Travel in excess of business hours (overtime meal)
01/13/05	EM	1.00	Travel in excess of business hours (overtime meal)
01/14/05	EM	0.80	Go to the post office to mail out the bankruptcy court filing.
01/17/05	EM	0.80	Travel in excess of business hours (overtime meal)
01/18/05	EM	0.80	Travel in excess of business hours (overtime meal)
01/20/05	EM	1.00	Travel in excess of business hours (overtime meal)
01/24/05	EM	0.70	Travel in excess of business hours (overtime meal)
02/14/05	MD	1.50	Driving during business hours

Exhibit B

01/12/05	PR	1.00	Documenting the time and expense for the month of December
01/17/05	PR	1.00	Recording time and expense for GFS for Grace
01/04/05	MJA	2.00	Doing time report
01/10/05	MJA	0.50	Doing time reporting
01/13/05	MJA	1.00	Doing time report
01/17/05	MJA	2.00	Time for December
01/21/05	MJA	0.50	Doing expense reporting
01/12/05	NS	0.70	Begin January personal time and expense tracking
01/04/05	LM	1.10	November expense reporting
01/11/05	BR	1.00	Update Time Tracking spreadsheet for past 2 days
01/13/05	BR	0.90	Update time tracking spreadsheet for past 2 days
01/15/05	BR	1.00	Update Time Tracking spreadsheet for past 2 days
01/19/05	BR	0.70	Update time tracking spreadsheet
01/20/05	BR	0.90	Update Time Tracking spreadsheet
01/21/05	BR	1.00	Update Time Tracking spreadsheet
01/11/05	JN	1.00	Detail time analysis for bankruptcy court
01/11/05	HS	1.00	Detail time analysis for bankruptcy court (finalized)
01/14/05	HA	2.00	Expense tracking analysis for December 2004
01/19/05	HA	3.00	Time tracking analysis for December 2004
01/17/05	NS	2.00	Format December T&E and email to A. Reeder (PwC); Type up the first half of January time & expense

01/17/05	LM	1.50	Time and Expense tracking January
01/03/05	EM	2.30	November Time Tracking compilation for the bankruptcy courts (for all of Grace Audit/Sarbanes Team)
01/03/05	EM	1.90	November Time Tracking compilation for the bankruptcy courts (for all of Grace Audit/Sarbanes Team)
01/13/05	EM	0.80	Continue updating November time reports, email to R. Grady (PwC)
01/24/05	MD	1.50	December 2004 time and expense reporting
01/17/05	AR	1.00	Compiling Time Tracking
01/24/05	AR	1.00	Compiling Time Tracking
01/28/05	AR	3.00	Compiling Time Tracking
02/19/05	WTB	2.00	Summarize time and expenses
02/25/05	PR	2.50	Documenting Time and Expense for January bankruptcy reporting
02/01/05	MJA	1.00	Doing time and expenses for January
02/02/05	MJA	0.50	Doing time report
02/07/05	MJA	1.00	Doing time report
02/08/05	MJA	1.00	Doing time report
02/11/05	MJA	2.00	Doing time report
02/14/05	MJA	1.10	Doing time report
02/18/05	MJA	1.00	Reporting time
02/23/05	MJA	2.00	Doing time reporting
02/23/05	MJA	0.60	Doing expense reporting
10/20/04	NB	0.70	Document time for first three days of audit.

10/25/04	NB	0.60		Document time for Thursday and Friday.
10/27/04	NB	0.70		Document time for Monday through Wednesday.
10/29/04	NB	1.20		Document Thursday and Friday time and review documentation for interim work for accuracy.
02/04/05	JN	0.30		Prepare time sheet for bankruptcy court.
02/04/05	HS	4.00		Detail time analysis for bankruptcy court - January
02/04/05	HS	0.20		Detail expense analysis for bankruptcy court - January
02/04/05	HS	1.00		Detail time analysis for bankruptcy court - February
02/04/05	HS	0.20		Detail expense analysis for bankruptcy court - February
02/01/05	RG	0.20	73.80	Update time tracking
02/03/05	RG	0.60	221.40	Update time tracking
02/04/05	RG	0.30	110.70	Update time tracking
02/09/05	RG	0.20	73.80	Update time tracking
02/21/05	RG	0.60	221.40	Update time tracking
02/25/05	RG	0.20	73.80	Update time tracking
02/28/05	RG	0.20	73.80	Update time tracking
02/03/05	DW	1.00	251.00	Time tracking
02/07/05	DW	1.00	251.00	Time tracking
02/10/05	DW	0.50	125.50	Time tracking
02/16/05	DW	1.50	376.50	Time tracking
02/01/05	NS	1.50	376.50	Compile explanations for January Bankruptcy reporting

02/03/05	NS	0.80	200.80	Type up January Expense file for Bankruptcy reporting
02/23/05	NS	0.30	75.30	Send January T&E Files to A. Reeder (PwC)
02/03/05	EM	1.00	213.00	Compile January expenses
02/25/05	MD	0.80	438.40	Prepare time and expense tracking for January 2005
00/00/00	MZ	2.00	738.00	Preparing time and expense reports
02/20/05	HA	0.50	184.50	Expense tracking for January 2005
02/20/05	HA	0.50	184.50	Expense tracking for February 2005
02/20/05	HA	2.50	922.50	Time tracking for February 2005
02/24/05	HA	3.50	1291.50	Expense tracking for January 2005
02/01/05	PR	1.00	332.00	Time and Expense for January
02/16/05	PR	0.20	66.40	Submitting time and expense
03/01/05	PR	0.50		Time and Expense for February end of the month
03/30/05	PR	0.50		Input March time for the last half of March
03/01/05	MJA	0.70		Doing time report
03/05/05	MJA	2.00		Summarize time and expense report
03/09/05	NS	0.80		Update fee tracking spreadsheet
01/04/05	LM	1.10		November expense reporting
01/07/05	RG	0.20	73.80	Update time tracking
01/12/05	RG	0.30	110.70	Update time tracking
01/12/05	RG	0.50	184.50	Update time tracking
01/13/05	RG	0.30	110.70	Update time tracking

01/17/05	RG	0.30	110.70	Update time tracking
01/20/05	RG	0.20	73.80	Update time tracking
01/22/05	RG	0.30	110.70	Update time tracking
01/24/05	RG	0.30	110.70	Update time tracking
01/27/05	RG	0.60	221.40	Update time tracking
03/03/05	RG	0.30		Update time tracking
03/21/05	RG	0.20		Update time tracking
03/25/05	RG	0.40		Update time tracking
03/31/05	RG	0.50		Update time tracking
03/08/05	NS	1.40	251.00	Begin compiling February time and expense bankruptcy files
03/07/05	EM	1.30	276.90	Complete January Time tracking and email to Allison Reeder (PwC)
03/31/05	EM	3.10	660.30	Compile February Time and Expense
03/25/05	MB	1.00	437.00	Create time report for February
03/24/05	ADR	1.50	622.50	Create time tracking detail for submission to courts
03/04/05	ML	1.00	526.00	Time to track time and enter time
03/01/05	DW	1.00	251.00	Time tracking
03/02/05	MM	1.00	251.00	WR Grace January Timesheet documentation
03/03/05	MM	1.00	251.00	WR Grace January Timesheet documentation
03/03/05	LM	0.90	298.80	Time and expense tracking for the Month of January
03/31/05	MD	1.50	822.00	Prepare time and expense tracking for February 2005